

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**December 7, 2005**

<b>IN RE:</b>	)	
	)	
<b>ELECTRIC POWER BOARD OF</b>	)	<b>DOCKET NO.</b>
<b>CHATTANOOGA TELECOMMUNICATIONS</b>	)	<b>03-00072</b>
<b>DIVISION ANNUAL AUDIT</b>	)	

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**ORDER ACCEPTING INTERNAL AUDIT FILED BY  
THE ELECTRIC POWER BOARD OF CHATTANOOGA**

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This matter came before Chairman Pat Miller, Director Deborah Taylor Tate, and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 30, 2004, for consideration of the internal audit reports and supplemental information filed by the Electric Power Board of Chattanooga ("EPB" or the "Company") for the fiscal years 2000 through 2003.

On February 2, 1999, the Authority granted EPB a Certificate of Public Convenience and Necessity ("CCN") to provide intrastate telecommunications service in the State of Tennessee.<sup>1</sup> The Authority considered and granted EPB's CCN in light of the criteria for granting a CCN as set forth in Tenn. Code Ann. §§ 65-4-201 through -208, §§ 7-52-401 through -407, and § 65-5-212. As a condition of the approval, the Authority requested that EPB consult with one of the intervenors in the matter and file Proposed

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<sup>1</sup> See *In re Application of Electric Power Board of Chattanooga For a Certificate of Public Convenience and Necessity to Provide Intrastate Telecommunications Service ("CCN Application")*, Docket No 97-07488, *Order Approving Application for Certificate of Public Convenience and Necessity* (May 10, 1999)

Conditions, setting forth accounting, reporting, and other procedures the parties agreed were needed for full compliance with the prohibition against subsidies found in Tenn. Code Ann. §§ 7-52-402 and -405 ("Proposed Conditions").<sup>2</sup> One section of the Proposed Conditions set forth certain reporting requirements and specified that EPB would perform annual internal audits.

EPB performed the annual audits required under its CCN and the Proposed Conditions. However, EPB did not file these audits or the associated data with the Authority for 2000 or 2001, the initial two years in which it operated a telecommunications division. On March 6, 2002, the Authority, through its Telecommunications Division staff ("Staff"), requested that EPB provide the audits and supporting cost information for 2000 and 2001.<sup>3</sup> EPB submitted all required data reports including additional information requested by Staff for the years 2000 through 2003.

#### **August 30, 2004 Authority Conference**

Based upon review of the annual reported information and supporting data filed by EPB, including EPB's internal audit reports, the panel found that EPB, in accounting for cost distributions between its electric and telecommunications division, was properly applying the cost allocation methods set forth in the CCN, the Proposed Conditions, and applicable state law. The panel further found that EPB had complied with all reporting requirements approved by the Authority.

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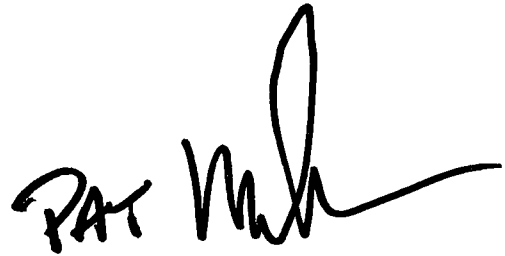
<sup>2</sup> See *CCN Application, Second Revised Proposed Conditions to Certificate of Public Convenience and Necessity to Ensure Statutory Compliance Filed on Behalf of the Tennessee Cable Telecommunications Association and Electric Power Board of Chattanooga* (November 3, 1998)

<sup>3</sup> See *CCN Application, TRA Data Request* (March 6, 2002) Staff originally requested that EPB provide the information in calendar-year format. EPB requested that it be allowed to provide the information based on its fiscal year end, June 30, and EPB subsequently has used the fiscal-year format

**IT IS THEREFORE ORDERED THAT:**

1. Based on EPB's representation's set forth in its internal audit reports for the years 2000 through 2003, EPB has allocated or imputed costs between its electric and telecommunications divisions consistent with the cost allocation methods set forth in applicable statutory provisions and consistent with the additional conditions imposed by the TRA.

2. For EPB's fiscal years 2000 through 2003, EPB is in compliance with the Code of Conduct reporting requirements set forth in the Proposed Conditions, which were approved by the Authority and imposed as a condition on EPB in association with EPB's CCN.

A handwritten signature in black ink, appearing to read "PAT Miller", written over a horizontal line.

Pat Miller, Chairman

A handwritten signature in black ink, appearing to read "Deborah Taylor Tate", written over a horizontal line.

Deborah Taylor Tate, Director

A handwritten signature in black ink, appearing to read "Sara Kyle", written over a horizontal line.

Sara Kyle, Director